



GOVERNMENT OF INDIA

Chandigarh Administration Gazette

Published by Authority

No. 023] CHANDIGARH, SATURDAY, FEBRUARY 08, 2025 (MAGHA 19, 1946 SAKA)

Government Policy Direction

CHANDIGARH ADMINISTRATION
ELECTRICITY WING OF ENGINEERING DEPARTMENT

Notification

The 7th February, 2025

No. G1/2025/133.—In exercise of the powers conferred by sections 108 and 109 of The Electricity Act, 2003(No.36 of 2003) as amended from time to time read with Government of India, Ministry of Home Affairs, New Delhi, Notification bearing No. S.O. 721(E) dated 22.06.2003 and all other powers enabling him in this behalf, the Administrator, Union Territory, Chandigarh is pleased to issue the following directions in public interest to enable effective restructuring of the electricity sector in the Union Territory of Chandigarh consistent with the objectives of The Electricity Act, 2003:

1. In the larger public interest and to promote viability of power distribution, ensure economic efficiency, safeguard interest of consumers, ensure progress and good governance of the Union Territory of Chandigarh, it has been resolved that there should be reform and restructuring of the distribution and retail supply business in the Union Territory of Chandigarh. In furtherance of this objective, the Administrator, U.T. Chandigarh in exercise of the powers conferred by, under Section 131, 133 and 134 of The Electricity Act 2003, has notified the provisional "The Chandigarh Electricity Reforms Transfer Scheme, 2025" ("Transfer Scheme") to transfer the electricity distribution and retail supply functions together with the assets, liabilities, interests, rights, functions, obligations, proceedings and personnel of the Electricity Wing of Engineering Department of the Administration of Union Territory of Chandigarh ("EWEDC") to the Chandigarh Power Distribution Limited ("**Distribution Company**") on 01/02/2025 ("**Transfer Date**"). The Transfer Scheme will be finalised on finalisation of accounts as on the Transfer Date.
2. The Administrator, U.T. Chandigarh, through a competitive and transparent process has selected Eminent Electricity Distribution Limited to purchase one hundred percent (100%) equity shares in the Distribution Company and acquire the majority and controlling interest therein on the 31/01/2025 ("**Effective Date**").

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Date: 2025.02.08
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The Administrator, U.T. Chandigarh, as part of the reforms process after extensive and careful deliberation, is of the opinion that the following considerations of the selection framework as

(275)

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contained in the bid documents for selection of bidder for sale of one hundred percent (100%) shares, are essential to be duly adopted by the Joint Electricity Regulatory Commission for the State of Goa and Union Territories ("**Commission**") in order to successfully implement the reform and restructuring objectives.

4. DEFINITIONS:

a)	ARR	shall mean the annual revenue requirement, to be filed by the Distribution Company before the Commission, in line with the provisions of the Electricity Act and relevant Commission regulation as amended from time to time;
b)	Commission	shall mean the Joint Electricity Regulatory Commission for the State of Goa and Union Territories;
c)	Distribution Company	shall mean CPDL incorporated by the Government as provided under Part C(1) of the Transfer Scheme;
d)	Distribution Licensee	shall have the meaning as ascribed to it under the Electricity Act;
e)	CPDL	shall mean the Chandigarh Power Distribution Limited.
f)	Effective Date	shall mean the date on which the Shares of the Distribution Company are transferred to the Successful Bidder;
g)	Electricity Act	refers to the Electricity Act 2003 (No. 36 of 2003) as amended from time to time;
h)	Electricity Department	refers to the Electricity Department under the Government of the Union Territory of Chandigarh.
i)	Government	shall mean the Hon'ble Administrator of Union Territory of Chandigarh
j)	Opening Balance Sheet	shall mean the opening balance sheet of the Company and the terms and conditions provided thereof, as provided in the Transfer Scheme;
k)	Renewable Purchase Obligations	shall mean the requirement to purchase electricity from renewable energy sources in accordance with the Joint Electricity Regulatory Commission for the state of Goa & Union Territories (Procurement of Renewable energy) Regulations, 2010;
l)	T&D Loss	shall mean the Transmission and Distribution Losses computed as per the regulations/orders of the Commission;
m)	Terminal Benefits	shall mean the General Provident Fund, Gratuity, Pension (including family pension), Dearness Allowance, Leave Encashment and other applicable benefits payable to the personnel on completion of service due to superannuation or otherwise including the right

		to have the appropriate revisions in the above benefits consistent with the practice that were prevalent in the Electricity Department, as the case may be;
n)	Transfer Date	shall mean the date notified by the Government under Transfer Scheme;
o)	Transfer Scheme	shall mean the Chandigarh Electricity Reforms Transfer Scheme 2025;
p)	Trust	shall have the meaning ascribed to it at PartE (7) of the Transfer Scheme;

4.1 Term of license for the Distribution Company

- (a) The Commission shall provide for a license period of twenty-five (25) years to the Distribution Company, in accordance with its applicable regulations.

4.2 Transmission & Distribution loss target and performance

- (a) The T&D loss targets to be adopted for ARR and tariff determination for the following years shall be as provided below:

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
T&D loss	NA	NA	NA	8.00%	7.60%

- (b) During this period, in the event actual T&D loss level of the Distribution Company for any particular year as determined by the Commission is better (lower) than the target fixed, the Distribution Company shall be entitled to retain 50% of the additional revenue resulting from such better performance. The balance 50% of additional revenue resulting from such better performance shall be passed on as a benefit to consumers for the purpose of ARR and tariff determination.
- (c) In the event the actual T&D loss of the Distribution Company in any year is worse (higher) than the T&D loss target, the entire shortfall in revenue on account of the same shall be borne by the Distribution Company. Consumers shall not be burdened for such inability of the Distribution Company to meet the T&D loss target specified in Clause 4.2(a) for any reason whatsoever.
- (d) T&D loss trajectory and the mechanism for sharing of gains or losses from FY 2026-27 onwards shall be set by the Commission.

4.3 Employee Terminal Benefits

- (a) Trust(s) are envisaged to be incorporated in accordance with the Transfer Scheme to manage the Terminal Benefits of employees who have been transferred to the Distribution Company. The Distribution Company's employee costs shall cover its contribution to such trust(s) for payment of such liabilities.
- (b) The Union Territory, Chandigarh will fund the unfunded terminal liabilities on account of the Terminal Benefits as on 31/12/2024 as per the actuarial valuation undertaken for the purpose.
- (c) The Distribution Company shall be liable for periodically remitting contributions pertaining to the period on and after 31/12/2024 and the same shall be included in

the ARR and tariff determination. Any cash shortfall in the corpus of the trust(s) in discharging the Terminal Benefits of existing employees shall be borne by the Distribution Company and shall also be included in the ARR and tariff determination.

4.4 Other Considerations

- (a) The Distribution Company's ARR shall be decided based on the restructured Opening Balance Sheet and the impact of the true-up of previous years upto the Transfer Date as determined and directed by the Commission, shall be borne by the Holding Entity(i.e. U.T. Chandigarh).
 - (b) The past arrears shall be to the account of the Union Territory of Chandigarh. The Distribution Company shall be provided an incentive of twenty percent (20%) on recovery of past arrears as on Transfer Date from permanently disconnected consumers and ten percent (10%) on recovery of past arrears as on Transfer Date from consumers other than permanently disconnected consumers. Such incentive shall be allowed to be retained by the Distribution Company in full and shall not be adjusted in the ARR and tariff determination of the Distribution Company.
 - (c) Opening Balance Sheet of the Distribution Company shall be finalized based on completion of audit of accounts as on the Transfer Date as part of the finalised Transfer Scheme. The Commission shall review and approve expeditiously the Gross Fixed Assets or Net Fixed Assets, Capital Work in Progress, Equity and Long-Term Loan applicable on the Transfer Date for consideration in ARR and tariff determination of the Distribution Company.
 - (d) The pending and existing Renewable Purchase Obligations of the EWEDC till the Transfer Date, shall be undertaken by the Distribution Company from the Transfer Date.
 - (e) These policy directions have been issued in public interest to implement the restructuring of the electricity sector in the Union Territory of Chandigarh and the decision of the Government in this regard is final.
 - (f) These Policy Directions are being issued without prejudice to the rights of the Administrator to amend these Policy Directions and, or, issue any further policy directions, in this regard, as may be required.
5. All the stakeholders, including the Commission and other authorities, shall be bound by the above policy direction from the date of issuance.

By order and in the name of the Administrator of the
Union Territory of Chandigarh

(Sd.) . . . ,

MS. PRERNA PURI,
Secretary Engineering,
Chandigarh Administration.

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